08-12-2002

U.S. Patent & TMOfc/TM Mail Rcpt Dt. #26

IN THE UNITED STATES PATENT AND TR[illegible]
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Applicant:	RedSky Partners, LLC	
Serial No.:	78/086,776	
Filing Date:	03 October 2001	International Class: 036
Service Mark:	RED SKY (block letter form)	
Published:	11 June 2002	

03 AUG 23 AM 8:44

TRADEMARK TRIAL AND APPEAL BOARD

RedSky Securities, LLC,
Opposer,
v.
RedSky Partners, LLC,
Applicant.

Opposition No.________________

NOTICE OF OPPOSITION

Box TTAB FEE
Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

08/19/2002 JHARLEY 00000109 78086776

01 FC:377 300.00 OP

I hereby certify that this correspondence (along with any paper referred to as being attached or enclosed) is being deposited with the United States Postal Service with sufficient postage as First Class Mail in an envelope addressed to: Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, Virginia 22202-3513 on

07 August 2002.

07 Aug 02 — Eric Krischke
Date **Signature**

K

Serial No.: 78/086,776

Dear Sir:

Opposer, RedSky Securities, LLC, an Illinois Limited Liability Company, located at and having its principal place of business at 30 South Wacker Drive, Suite 1615, Chicago, Illinois 60606 ("Opposer"), believes that it will be damaged by the registration of the mark shown in U.S. Service Mark Application Serial No. 78/086,776 and use of the mark RED SKY, and hereby opposes registration of said mark by RedSky Partners, LLC ("Applicant").

As grounds of opposition, it is alleged that:

1. The above U.S. Service Mark Application Serial No. 78/086,776, seeking registration of the mark RED SKY for "financial services, namely management and operation of investment funds" in International Class 036, was filed by Applicant on 03 October 2001 ("filing date"), based upon Applicant's alleged intent to use the mark. Applicant's mark was published for opposition on 11 June 2002 in International Class 036 in the Official Gazette of the U.S. Patent and Trademark Office. Opposer filed with the Trademark Trial and Appeal Board a First Request for Extension of Time to File Notice of Opposition on 24 June 2002, and was granted an extension of time of thirty (30) days up to and including 10 August 2002 for filing a Notice of Opposition against U.S. Service Mark Application Serial No. 78/086,776.

2. Prior to the filing date of Applicant's U.S. Service Mark Application, Opposer has continuously used, and is now, using REDSKY, both as a trade name and a service mark in commerce in the United States in connection with financial services, namely brokerage services for electronic securities trading access.

3. On 11 April 2001, Opposer filed with the Illinois Secretary of State Articles of Amendment, whereby the corporate name was changed from Yourtrade.com Securities, Inc. to RedSky Securities, Inc. (Exhibit A).

4. Opposer filed with the NASD an Application for Broker-Dealer Registration in the name of RedSky Securities, Inc. on or about 09 May 2001. (Exhibit B).

5. Currently, Opposer operates as a Limited Liability Company, namely RedSky Securities, LLC.

6. Opposer has used the mark REDSKY in commerce at least as early as May, 2001.

7. Opposer actively promoted its business and services using the mark REDSKY at least as early as May, 2001.

8. Since at least as early as July, 2001, a website page for *www.redskysecurities.com* has been fully operational and displays Opposer's service mark REDSKY and Opposer's membership with the NASD and SIPC, and provides

contact information, including a telephone number and an e-mail address. (Exhibit C).

9. Opposer also owns the following domain names, each registered with Network Solutions on 10 May 2001: redskyventures.com, redskyfinancial.com, redskyfunds.com, redskybrokerage.com, and redskycapital.com.

10. Opposer has expended substantial amounts of money, time and effort in marketing, promoting and popularizing its REDSKY trade name and mark and developing the goodwill associated therewith. The trade and purchasing public have come to know Opposer's mark and recognize that any services so marked originate with Opposer.

11. On information and belief, RedSky Partners, LLC is a Limited Liability Company formed under the laws of the State of Delaware and having its principal place of business at 1730 41st Place North, Plymouth, Minnesota 55446.

12. On information and belief, Mr. Gregg Groechel and Mr. Bill Miller formed RedSky Partners, LLC no earlier than August, 2001, as indicated in an article dated 06 March 2002 and entitled "Amex Alumni on Hiring Spree," published in *Hedge Fund Alert* (*www.HFAlert.com*), page 3. (Exhibit D).

13. On information and belief, Applicant did not use the mark RED SKY until after the filing date of 03 October 2001.

14. On information and belief, Applicant did not use the mark RED SKY in commerce until after the filing date of 03 October 2001.

15. The services in connection with which Applicant seeks registration of its mark hereby opposed, and the service mark sought to be registered by Applicant, are so related to Opposer's business, services, trade name and mark that use and registration by Applicant of the mark sought to be registered as set forth in its application for registration will tend to cause confusion, cause mistake, or will deceive purchasers into the erroneous belief that Applicant's services are the services of Opposer, or that such services are authorized and/or sponsored by or are otherwise connected with the business or services of Opposer, and thus, such use and registration will appropriate to Applicant substantial aspects of the goodwill which Opposer has established for Opposer's trade name and mark and substantially damage Opposer in the conduct of Opposer's business.

16. Opposer has no control over the nature and quality of Applicant's services under the mark it seeks to register, and any dissatisfaction with Applicant's services by the affected public would reflect adversely on Opposer, thus damaging Opposer's valuable and established goodwill and reputation.

17. The mark RED SKY shown in U.S. Service Mark Application Serial No. 78/086,776 so resembles the trade name and mark previously used by Opposer in the United States, and not abandoned, as to be likely, when used in

connection with the services of Applicant, to cause confusion, to cause mistake, or to deceive, within the meaning of Section 2(d) of the Lanham Act.

18. The mark RED SKY shown in U.S. Service Mark Application Serial No. 78/086,776 so resembles Opposer's trade name and mark as to falsely suggest a connection with Opposer within the meaning of Section 2(a) of the Lanham Act.

19. Applicant's use of the mark RED SKY and the association created in the minds of customers arising out of that use, will cause specific irreparable harm to Opposer and the goodwill associated with Opposer's trade name and mark, and would inhibit Opposer's continuing marketing ability.

20. If registration of the mark here sought to be registered by Applicant were to be granted to Applicant, the effect would be to create in favor of Applicant statutory rights under the Trademark Act of 1946, and such registration would tend to restrict, interfere with, and damage Opposer in the unhampered conduct of its business and protection of its legitimate business.

21. The contemporaneous use by Applicant of the mark RED SKY will dilute or impair Opposer's trade name, service mark and service mark rights. If Applicant is permitted to register the mark RED SKY, such registration will eventually result in the inability of Opposer's mark to function as an indication of origin, as well as the loss of distinctiveness and exclusivity of Opposer's mark.

WHEREFORE, Opposer respectively requests that registration of the mark RED SKY shown in U.S. Service Mark Application Serial No. 78/086,776 be rejected under Sections 2(d) and 2(a) of the Lanham Act, that no registration be issued thereon to Applicant and that this Opposition be sustained in favor of Opposer.

Accompanying the original Notice of Opposition is our check for the required filing fee of $300.00 under 37 C.F.R. §2.6(a)(17). Please charge any additional fees to Pauley Petersen Kinne & Erickson's Deposit Account, No. 19-3550, the account of Opposer's Counsel noted below.

Please direct all correspondence to Eric T. Krischke, Esq., of Pauley Petersen Kinne & Erickson, 2800 W. Higgins Road, Suite 365, Hoffman Estates, Illinois 60195, and kindly direct all calls to the same at (847) 490-1400.

Date: 07 August 2002

Respectfully submitted,

Eric Krischke

Eric T. Krischke
Attorney for Opposer

Pauley Petersen Kinne & Erickson
2800 West Higgins Road
Suite 365
Hoffman Estates, IL 60195
(847) 490-1400
FAX (847) 490-1403

COPY

Form **BCA-10.30**
(Rev. Jan. 1999)

ARTICLES OF AMENDMENT

File # 58211338

Jesse White
Secretary of State
Department of Business Services
Springfield, IL 62756
Telephone (217) 782-1832

SUBMIT IN DUPLICATE

Remit payment in check or money order, payable to "Secretary of State."

The filing fee for restated articles of amendment - $100.00

http://www.sos.state.il.us

FILED
APR 11 2001
JESSE WHITE
SECRETARY OF STATE

This space for use by Secretary of State
Date 4/11/01
Franchise Tax $
Filing Fee $25.00
Penalty $
Approved:

1. CORPORATE NAME: YOURTRADE.COM SECURITIES, INC.
(Note 1)

2. MANNER OF ADOPTION OF AMENDMENT:

The following amendment of the Articles of Incorporation was adopted on ____________ (Month & Day), 2001 (Year) in the manner indicated below. ("X" one box only)

[ ] By a majority of the incorporators, provided no directors were named in the articles of incorporation and no directors have been elected;
(Note 2)

[ ] By a majority of the board of directors, in accordance with Section 10.10, the corporation having issued no shares as of the time of adoption of this amendment;
(Note 2)

[ ] By a majority of the board of directors, in accordance with Section 10.15, shares having been issued but shareholder action not being required for the adoption of the amendment;
(Note 3)

[ ] By the shareholders, in accordance with Section 10.20, a resolution of the board of directors having been duly adopted and submitted to the shareholders. At a meeting of shareholders, not less than the minimum number of votes required by statute and by the articles of incorporation were voted in favor of the amendment;
(Note 4)

[ ] By the shareholders, in accordance with Sections 10.20 and 7.10, a resolution of the board of directors having been duly adopted and submitted to the shareholders. A consent in writing has been signed by shareholders having not less than the minimum number of votes required by statute and by the articles of incorporation. Shareholders who have not consented in writing have been given notice in accordance with Section 7.10;
(Notes 4 & 5)

[X] By the shareholders, in accordance with Sections 10.20 and 7.10, a resolution of the board of directors having been duly adopted and submitted to the shareholders. A consent in writing has been signed by all the shareholders entitled to vote on this amendment.
(Note 5)

3. TEXT OF AMENDMENT:

a. When amendment affects a name change, insert the new corporate name below. Use Page 2 for all other amendments.

Article I: The name of the corporation is:

RedSky Securities, Inc.
(NEW NAME)

All changes other than name, include on page 2
(over)

TOTAL P.05

4. The manner, if not set forth in Article 3b, in which any exchange, reclassification or cancellation of issued shares, or a reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for or effected by this amendment, is as follows: *(If not applicable, insert "No change")*

N/A

5. (a) The manner, if not set forth in Article 3b, in which said amendment effects a change in the amount of paid-in capital (Paid-in capital replaces the terms Stated Capital and Paid-in Surplus and is equal to the total of these accounts) is as follows: *(If not applicable, insert "No change")*

N/A

(b) The amount of paid-in capital (Paid-in Capital replaces the terms Stated Capital and Paid-in Surplus and is equal to the total of these accounts) as changed by this amendment is as follows: *(If not applicable, insert "No change")*

N/A

	Before Amendment	After Amendment
Paid-in Capital	$ ________	$ ________

(Complete either Item 6 or 7 below. All signatures must be in BLACK INK.)

6. The undersigned corporation has caused this statement to be signed by its duly authorized officers, each of whom affirms, under penalties of perjury, that the facts stated herein are true.

Dated April 9 2001 *(Month & Day)* *(Year)*

attested by ________ *(Signature of Secretary or Assistant Secretary)*

Gregory J. Perry, Assistant Secretary *(Type or Print Name and Title)*

YOURTRADE.COM SECURITIES, INC. *(Exact Name of Corporation at date of execution)*

by ________ *(Signature of President or Vice President)*

Joseph P. Perry, President *(Type or Print Name and Title)*

7. If amendment is authorized pursuant to Section 10.10 by the incorporators, the incorporators must sign below, and type or print name and title.

OR

If amendment is authorized by the directors pursuant to Section 10.10 and there are no officers, then a majority of the directors or such directors as may be designated by the board, must sign below, and type or print name and title.

The undersigned affirms, under the penalties of perjury, that the facts stated herein are true.

Dated ________ *(Month & Day)* ________ *(Year)*

FORM BD
UNIFORM APPLICATION FOR BROKER-DEALER REGISTRATION

BD - APPLICANT INFORMATION

OMB Number 3235-0012

Expires..March 31, 2001
Estimated average burden hours per:
Response...2.75
Amendment...0.33

WARNING: Failure to keep this form current and to file accurate supplementary information on a timely basis, or the failure to keep accurate books and records or otherwise to comply with the provisions of law applying to the conduct of business as a broker-dealer would violate the Federal securities laws of the jurisdictions and may result in disciplinary, administrative, injunctive or criminal action.
INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACTS MAY CONSTITUTE CRIMINAL VIOLATIONS.

○ APPLICATION ● AMENDMENT

1. Exact name, principal business address, mailing address, if different, and telephone number of *applicant:*

A. **Full name of *applicant*** (if sole proprietor, state last, first and middle name):
YOURTRADE.COM SECURITIES, INC.

B. **IRS Empl. Ident. No.:**
36-4021660

C. (1) Name under which broker-dealer business primarily is conducted, if different from Item 1A.
YOURTRADE.COM SECURITIES, INC.

(2) List on Schedule D, Page 1, Section I, Other Business Names any other name by which the firm conducts business and where it is used.

D. If this filing makes a name change on behalf of the applicant, enter the new name and specify whether the name change is of the
☑ ***applicant* name (1A)** or ☑ **business name (1C):**
REDSKY SECURITIES, INC.

E. **Firm main address:** (Do not use a P.O. Box)

Number and Street 1:		Number and Street 2:	
30 S. WACKER DRIVE		SUITE 1610	
City:	**State:**	**Country:**	**ZIP:**
CHICAGO	Illinois	USA	60606

Branch offices or other business locations must be reported on Schedule E, Branch Offices.

F. **Mailing Address, if different:**

Number and Street 1:		Number and Street 2:	
City:	**State:**	**Country:**	**ZIP:**

G. **Business Telephone Number:**
312-637-7645

H. **Contact Employee:**

Name:	Title:	Telephone Number:

REDSKY
SECURITIES

Member - NASD, SIPC

Phone: 312.637.7657
Email: info@redskysecurities.com

HEDGE FUND ALERT

The Weekly Update on the Alternative-Investment Community

www.HFAlert.com

MARCH 6, 2002

Wyly Enlists Ichan's Former Investment Chief

Sam Wyly's Ranger Capital has lured the former head of **Carl Icahn's** family office to launch a hedge fund that will seek to take active roles in underperforming companies.

Russell Glass joined Wyly's outfit on Feb. 1, the same day he quit **Icahn Family Associates**, where he had been president and chief investment officer of the corporate raider's family office for about four years.

Glass accepted Rangers' offer largely for the opportunity to run his own venture, which will be called **Ranger Partners**. The long/short vehicle will invest in equity and debt, including convertible bonds. Ranger Capital's chief operating officer, **Scott Canon**, denied recent press reports linking Glass's unexpected move to Icahn's plans for possibly increasing his stake in troubled biotech company **ImClone Systems**.

Marketing of Ranger Partners began March 4, but the fund manager has not

See WYLY on Page 4

Critics Spotlight Shortcomings in Index Funds

Researchers have begun pointing out flaws in investment products designed to track the performance of hedge-fund indices, even as two financial giants are marketing such products to institutional investors.

The criticism comes as **Credit Suisse First Boston** and **Zurich Capital Markets** have begun offering index funds to institutional investors, nearly two years after both Swiss companies announced their intentions to do so.

By offering to capture the average return of the fund universe, or of a particular strategy, index funds are supposed to provide investors with instant diversity and an alternative to selecting their own managers. But critics contend that the fund-selection process of index providers is nearly as arbitrary as that of traditional funds of funds vehicles, and thus offers little extra value.

"The concept makes a lot of sense, and it's probably where the industry is

See CRITICS on Page 6

After 32 Years, Goodnow Starts Marketing

One of the oldest hedge-fund companies in the business is getting ready to market one of its vehicles to investors for the first time.

Goodnow, Gray & Co. has been quietly running a long/short equity fund from its Darien, Conn., office since 1969. Over the last 32 years, the firm has shunned marketing and relied heavily on word-of-mouth -- and therefore grown only modestly. Goodnow has $350 million under management, with most of the money coming from family and friends.

Now, however, Goodnow has hired its first in-house marketer, **Gabelli Asset Management** alum **Peter Gavey**. His first task will be to drum up interest in a new fund, which the firm is tailoring to the needs of endowments, foundations, pension funds and multi-manager funds. The start-up, dubbed **Old Kings Capital**, is expected to begin trading in June.

The long/short fund, which will target small and mid-cap stocks, is expected

See GOODNOW on Page 6

THE GRAPEVINE

Deutsche Bank's prime-brokerage group has lured a longtime capital-introduction specialist from **Banc of America** and is attempting to recruit another staffer for that area. **Pamela Spear** starts work in New York as a vice president at Deutsche on March 18, helping to bring together investors and hedge-fund managers. Spear, who served in the same capacity at BofA, will report to Deutsche's capital-introduction chief, **John Dyment**, who heads a team of 12. Meanwhile, Deutsche is working to fill another vice president post in London.

There's no word yet on the whereabouts of former **Manhattan Investment Fund** manager **Michael Berger**, who jumped bail last week. An arrest warrant was issued for the Austrian citizen on March 1, after he failed to show up for sentencing at a federal court in New York. He had been free on $100,000 bail. Last year, he pled guilty to defrauding investors by fabricating his performance reports — leading

See GRAPEVINE on Back Page

Long-Time Invesco Pro Starting Fund

Rory Powe, the mutual-fund manager who recently left his long-time post as Invesco's European equities chief, is poised to launch his first hedge fund — and he's lined up an experienced staff to help run the vehicle.

The new fund, called **Modulus Europe**, is slated to start trading on March 18 with $20 million to $30 million of equity. The managers have set an initial capital limit of $100 million. But Powe's firm, **Powe Capital Management**, plans to let the fund grow to $500 million before it stops accepting new capital.

Powe most recently ran **Invesco London's** flagship mutual fund, the $2.2 billion **Invesco Perpetual European Growth Fund.** The modest amount of equity that he is starting with reflects investors' continuing hesitance to sink substantial start-up capital into vehicles that are run by managers whose experience is concentrated in the traditional long-only arena.

To help him on that front, Powe has been assembling a team of practiced professionals, including some with short-selling experience. The group has been running a model portfolio since November — before Powe even left Invesco — and it says it has so far generated positive returns.

One of the more-prominent hires is **Stephen Grady**, who gained experience in the execution of short trades in his role as chief equities dealer at the United Arab Emirates' **Abu Dhabi Investment Authority**. He's working as an execution trader at Powe Capital.

Meanwhile, **Jenny Ponsonby** has taken over risk management. She had been a risk-arbitrage trader on **J.P. Morgan Chase's** proprietary-trading desk. **Raza Khan**, most recently chief operating officer at the now-defunct London hedge fund **Dune Partners**, has taken on the same role at Modulus.

The firm has also hired two Invesco analysts that worked as portfolio managers under Powe, but their identities will not be disclosed until they start next month.

Powe's new fund will specialize in mid-cap companies, playing on his past success as a stock picker. He's particularly aiming to make early investments in companies that have the potential for considerable growth — in much the same way that he identified German automaker **Porsche** and **Kudelski**, a Swiss maker of electronic security systems, while at Invesco. However, Powe doesn't intend to lock the fund completely into those strategies.

He is requiring a minimum investment of $500,000 and is charging 1.5% of assets and 20% of gains. The fund will charge an additional 2% of assets for any capital redeemed within the first year.

For the last 10 years of his 15-year tenure at Invesco, Powe headed the firm's European equities effort. He left the company in December. Under his management, Invesco Perpetual European Growth Fund was relatively volatile, but produced an average annual return of 16.2%, after fees, over 10 years. ❖

Multi-Manager Shop Eyes Start-Ups

Olympia Asset Management, the Paris fund-of-funds shop, is incubating a pool of promising hedge funds for a multi-manager vehicle that it plans to launch later this year.

The planned vehicle, called **Nova**, has so far invested about $30 million in six fledgling hedge funds — three in the U.S. and three in Europe. The U.S. funds employ long/short equity, convertible-arbitrage and statistical-arbitrage investment strategies. The European entities are all long/short equity funds.

Olympia will make Nova available to outside investors once it is satisfied with the diversity of its portfolio, said chairman **Marc-Louis Landeau**. "What we're looking for are the future stars," he said, noting that the firm's established fund of funds normally won't invest in start-ups.

It's for that reason that the firm is setting up the new vehicle. As investors scramble to find means of capital preservation, they're often filling the industry's best-performing funds before conservative investors can get a shot at them. Nova is being crafted to ensure that Olympia will be able to grab a piece of those funds before they close — without compromising the stability of its established funds.

By investing in newer hedge funds, Olympia also hopes to gain exposure to niche sectors in which established players have stopped accepting new money, Landeau said.

Olympia currently runs some $1.3 billion of assets. About $950 million of that amount is in its **Olympia Stars** fund, which netted 9.6% last year. ❖

Software Offered with Morgan System

A Newton, Mass., firm is introducing a more-sophisticated version of its accounting software for hedge funds.

The latest version of **Eagle Investment Systems'** computer program, called PT-Plus, is integrated with the portfolio-accounting system used by the prime-brokerage group at **Morgan Stanley**. While Morgan Stanley helped the firm modify the software, Eagle is offering the package to hedge funds that use other prime brokerages too, said president **David Patel**. Eagle is a unit of **Mellon Financial** of Pittsburgh.

The software tracks capital investments by shareholders and allows fund managers to automate annual financial and tax reports. Managers can install the product on their own computers, or access it through an external host. ❖

Morrison Splits From London Start-Up

David Morrison's quick departure from **IIU Capital** has offered investors a reminder of how it can be risky to invest in start-up hedge funds.

Morrison left the London-based fund on Feb 27, just five months after he began trading the $175 million **Macro Fund** in his role as chief executive and chief investment officer of IIU, an affiliate of Irish entrepreneur **Dermot Desmond's International Investment and Underwriting** of Dublin. Investors said the split was precipitated by a dispute between Morrison and Desmond.

Macro Fund represented one of Europe's most successful hedge-fund launches of 2001, mostly because Morrison was so well regarded.

It's unclear how many investors want out now that Morrison is gone. But those wishing to redeem will be spared the steep penalty — a 10% charge — that had been in effect for anyone violating the one-year lock-up provision. The fund documents apparently contained a "key-man" clause stipulating that investors would be released from the initial one-year lockup if Morrison left.

Immediately prior to joining IIU, Morrison did stints as a proprietary trader at **BNP Paribas** and as the operator of a professional car-racing club. But his most high-profile roles came earlier, as the chairman of **Tiger Management's** international operations and as chief economist at **Goldman Sachs** — a resume that proved attractive to many of IIU's investors. His current plans could not be learned.

The break-up is the latest in a string of divisions between well-credentialed managers who concluded that they could not work together after just a few months in operation.

In February, **CJS Partners** of New York disclosed to investors that the second of three founding managers was leaving the fund, which started trading in June. The firm forced investors to honor a one-year lockup period after the first partner departed in July, but decided to allow early redemptions when the second one left last month.

Similar situations came up in December, when the partners responsible for **Intrepid Capital** and **Colbert Europe**, both of which ran year-old funds, announced that they were going separate ways. Intrepid's managers divided into two separate firms, giving investors the option of choosing between them or redeeming entirely. The faltering Colbert fund liquidated.

For its part, IIU has placed **Steven Mail**, the former BNP trader who Morrison hired last year as his chief trader, in charge of Macro Fund. The firm also continues to employ such experienced hands as equity-derivatives chief **Abdallah Rahall**, who was formerly executive director of equity arbitrage at **CIBC World Markets**. Morrison, however, was by far the most well-known professional involved in the venture.

IIU runs more than $300 million of capital through four alternative-investment vehicles, including Macro Fund, a managed-futures vehicle, a directional convertible-bond fund and a convertible-bond arbitrage entity. ❖

Amex Alumni on Hiring Spree

A hedge-fund boutique that a pair of former **American Express** managers set up last year has hired a half dozen professionals to work on two new investment vehicles that it is planning.

Minneapolis-based **RedSky Partners** is aiming for May to start trading the long/short funds, one of which will employ a market-neutral investment strategy. The firm expects the entities to attract nearly $1 billion of capital by this fall. The new hires, consisting of four researchers and two traders, will be working on both of those ventures.

Mike Grondahl starts work at the end of this week as a research analyst focusing on financial-services stocks. He was previously a senior analyst at **U.S. Bancorp Piper Jaffray** in Minneapolis. Joining him next week will be telecommunications, media, Internet and energy specialist **John Groton**, who had been a senior analyst at **Sit Investment Associates**, also in Minneapolis.

The two analysts are arriving shortly after **David Therkelsen** and **Scot Heggen** filled similar roles. Therkelsen came from **RBC Capital Markets**, where he was a senior analyst focusing on stocks in the media, technology and pharmaceutical sectors. Heggen was a quantitative analyst at **Aid Association for Lutherans/Lutheran Brotherhood**, which oversees $55 billion of pension-fund investments. They started work two weeks ago.

Traders **Bobby Kagel** and **Peter Platt** also joined RedSky in February. Kagel was the senior over-the-counter market maker at RBC, while Platt served as director of trading at Minneapolis-based investment manager **Zak Capital**.

Gregg Groechel and **Bill Miller** started RedSky after leaving Amex in August. They were joined shortly thereafter by managing partner **Mark Marxer**, who was previously with **Alliance Capital**.

At Amex, Groechel and Miller ran a long/short vehicle — along with **John Schonberg** — that was the firm's first hedge fund. They also ran a market-neutral vehicle. Since then, the company has decided to liquidate its once high-flying long/short vehicle, **Advisory U.S. Equity Fund I**, and an offshore companion with $400 million of assets. Five months after Groechel and Miller's departure, two more managers, **Tim Stevenson** and **Joe Kinnison**, also quit.

Amex is continuing to operate the market-neutral fund, which has $800 million under management. ❖

Wyly ... From Page 1

yet set a date for trading to begin. Canon said it's too early to predict how much capital the new fund will attract, though Wyly and Glass are contributing "significant" sums.

Executives from Wyly's Dallas firm are now setting up a fund-management company in New York for Glass, who is building a staff of analysts there. Ranger Capital is providing the back-office systems — for accounting and payroll functions — out of Dallas.

Ranger Capital is the family investment office for Texas entrepreneur Wyly, who was the original backer for **Maverick Capital** in 1990. The fund is now run by **Lee Ainslie**. Wyly has also held major stakes in numerous other companies, including **Computer Associates** and the **Bonanza** steakhouse chain. His family office runs **Ranger Funds**, a multi-manager vehicle launched in 2000 that has $170 million allocated to eight managers, including Maverick.

Ranger Partners is the firm's first single-manager fund run under it's own name. Canon would not rule out the possibility of Ranger launching other funds, but he said nothing is on the drawing board at the moment.

Glass will serve as chief executive and chief-investment officer of the still-unnamed management company, while Cannon will hold the title of president.

The fund will invest in and play a management role in deeply undervalued companies, but Canon emphasized that Glass will stop short of the corporate-raider strategy that made Icahn notorious. The fund's managers will try to convince corporate management to improve operations and restructure, where necessary. In addition to buying stocks of underperforming companies, the fund will take short positions in overvalued companies.

"We think there's an opportunity in the market," for this type of fund, said Canon. "There's tremendous attention being paid to corporate-governance issues in the marketplace. Look what's happened with **Enron** and Computer Associates."

Ranger has enlisted **Banc of America** as prime broker for the new fund. It has also hired **Atlantic-Pacific Capital** of Greenwich, Conn., to market the vehicle. ❖

LATEST LAUNCHES

Hedge Funds

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch Date	Equity at Launch (Mil.)
Proximo Fund Domicile: U.S.	Theodore Bryant Brian Summers Summers Fund Management, San Francisco 415-835-3813	Long/short, small- and mid-cap domestic equities	Prime broker: ABN Amro Law firm: Sadis Goldberg Auditor: Harb Levy Weiland	March	$4-5
Global Macro Fund Domicile: U.S. & Cayman Islands	Abbas Shah Adam Bornstein Linuxor Asset Management, New York 212-324-3290	Global macro	Prime broker: Credit Suisse First Boston Law firm: Charles E. Hall Jr. Auditor: Rothstein Kass Administrator: Citco Fund Services	March 1	$5
Richmond Capital Domicile: U.S.	David Kass Richmond Capital Management, New York 212-808-3565	Risk-arbitrage, event-driven	Prime broker: ABN Amro Law firm: Pryor Cashman Auditor: Eichler Bergsman	March 1	$3
Rockbridge Consumer Fund Domicile:U.S.	David Lane Rockbridge Capital Management, New York 212-692-3676	Long/short, consumer sector	Prime broker: ABN Amro Law firm: Sadis & Goldberg Auditor: Rothstein Kass	April 1	
Modulus Europe Domicile: Cayman Islands ☛ SEE PAGE 2	Rory Powe Powe Capital Manangement, London 44-207-529-4879	Long/short European equities	Prime broker: Goldman Sachs Law firm: Simmons & Simmons Auditor: Ernst & Young Administrator: International Fund Services Marketer: Palmer Capital	March 18	$20-30
Old Kings Capital Domicile: U.S. ☛ SEE PAGE 1	Randall M. Heck Bradley J. Purcell Goodnow, Gray & Co., Darien, Conn. 203-655-6272	Long/short small- and mid-cap U.S. equities	Prime broker: Credit Suisse First Boston Law firm: Seward & Kissel Auditor: PricewaterhouseCoopers	June 30	

Critics ... From Page 1

going," acknowledged **Lionel Martellini**, an assistant professor of finance at University of Southern California. "But there's a long distance between theory and practice."

The construction methodologies for the 12 or so major indices are so dissimilar to each other that they offer far different pictures of fund performance, according to "The Brave New World of Hedge Fund Indices," a paper co-written by Martellini. He wrote the report with **Noel Amenc**, a professor and head of research at UK-based software provider, **Misys**, which sponsored the study. The paper, which they completed in December, is posted on their Web site at www-rcf.usc.edu/~martelli.

Differences in monthly returns of indices can vary dramatically, Martellini said. For example, Zurich reports a 20.5% gain on long/short strategies in February 2000, while **Evaluation Associates Capital Markets** reports a loss of 1.6% for that period. Another flaw is that hedge-fund index products can't be comprehensive because many funds are closed to new investors or are unwilling to provide the information needed by index-fund providers.

Martellini and Amenc recommend creating an investment fund that serves the purpose of an "index of indexes," a combination of all the major competing indices. To avoid the problem posed by closed managers, they suggest a vehicle that replicates the performance of the index through the use of derivatives, rather than allocating capital directly to the managers.

Such scrutiny could prompt questions for Credit Suisse as it kicks off its marketing effort. Last week, the bank began offering Hedgefund Index Participations to European institutions. Minimum investment requirement: $10 million. It's also drawing up plans for a U.S. product, but no launch date has been set for that offering. By investing in about 380 funds within nine strategies, CSFB's fund attempts to mimic the CSFB/Tremont Hedge-Fund Index. Zurich has also taken commitments from various financial institutions for its 10-year structured note tied to the performance of its indices.

Jon Lukomnik, a managing director at pension-fund consultant **Sinclair Capital** of New York, also has his doubts about indexed products. Lukomnik is preparing a column on the subject for **Plansponsor.com**, to which he contributes regularly. "I don't think they're valueless," he said. "I just think they can be easily oversold and that investors can more easily misuse them than other indices," such as the less-arbitrarily constructed S&P 500 Index.

Lukomnik insists some strategies more easily lend themselves to indexing than others. For example, merger arbitrageurs are limited in what they invest in and how they can invest, and they thus perform similarly to each other. Strategies employed by long/short managers, however, can produce results all over the place.

Meredith Jones, a Nashville-based research director at **Strategic Financial Solutions**, has recently been on the seminar circuit, playing devil's advocate to index proponents. Her firm designed PerTrack 2000, a software package that is designed to combine the information from a variety of hedge-fund performance databases.

Using PerTrack, Jones took a random sample of convertible-bond arbitrage funds from the **Hedgefund.net** database and compared their performance to corresponding indices. Three-quarters of convertible-arbitrage managers with track records of at least five years posted results that were relatively uncorrelated to the performance of the CSFB/Tremont convertible sub-index. She found similar results within other strategies.

Still, Jones maintains that index funds can serve a purpose, particularly for the diversification they provide. But "it's kind of like the **Ronald Reagan** saying: 'trust, but verify.'" ❖

Goodnow ... From Page 1

to become the firm's flagship in a short amount of time. If necessary, Goodnow will close the fund to new investors when it grows to $500 million.

As it now stands, Goodnow's largest fund — also called **Goodnow Gray** — is managed principally by **Edward Goodnow**, a 76-year-old founding partner of the firm. Since the firm adopted the industry standard 1% of assets and 20% of profits in 1975, the fund has produced impressive annual returns of more than 19%, after fees. It has evolved into more of a fund of funds, with some 70% of its assets now going to outside managers.

By contrast, the planned Old Kings Capital will be run entirely by two in-house portfolio managers: **Randall M. Heck** and **Bradley J. Purcell**. The two men have worked together since 1999 managing a portion of Goodnow's main fund, as well as running other stand-alone funds. Prior to joining Goodnow, the portfolio managers worked together at Gabelli Asset Management.

By running separate hedge funds at Goodnow, they have established individual track records. Since starting at the firm in 1995, Heck has produced an average annual return of 17.2%, after fees. Purcell joined the firm in 1999, and has since netted 12.9% a year.

With their new fund, the managers are seeking average net returns in the mid to high teens. The fund will maintain 20 to 30 different long positions at a time, focusing on companies that have sturdy balance sheets and near-monopolistic positions in their sectors. The managers will also seek to hold 20 to 30 short positions at one time, targeting mostly companies with aggressive accounting practices and dubious earnings. No single long position will represent more than 6% of the portfolio, and no single short sale will exceed 3% of the fund's assets.

The fund's minimum investment requirement is $1 million, which will be subject to a one-year lock up. Goodnow will charge the standard 1% of assets and 20% of gains. ❖